

Market Pulse *from the Investment Advisory Group*

September 5, 2023

In focus

Trading desks around the country were lightly staffed as the unofficial end of summer came last week. The Labor Day holiday led to some volatile sessions for both stocks and bonds, which both started the week positively on renewed hope that the Federal Reserve (Fed) could be done with their hiking campaign. Lower consumer confidence along with a lower revised 2Q GDP print gave way to the market pricing more of a chance that the Fed would pause from here.

Two important economic releases came out at the end of the week. Personal Consumption Expenditures (PCE), the Fed's preferred inflation reading, came in as expected but the super core (core services ex housing) actually rebounded, revealing that inflation is stickier than some had hoped. On Friday, the August payroll figure was released showing a still-strong 187K jobs were added during the month but the unemployment rate rose and June numbers were revised downward.

Light volume led U.S. Treasury yields to spike on Friday, contrary to the mixed messaging from the jobs report. The curve steepened as short yields did not jump as much as long yields. Stocks rose Friday after the jobs report and the S&P 500 is now only about 2% from the peak reached at the end of July. As traders return from vacations, the Fed's September meeting is now fully in view with a pause expected by markets.

A look back

- Global equity markets posted their biggest gains in six weeks, up 2.58%. U.S. and international developed markets led – each higher by over two and a half percent.
- Both the 2-/10-year U.S. Treasury yields were lower last week with the curve steepening by 0.13%.
- Data last week showed some evidence of a cooling labor market with the unemployment rate ticking up 0.3% from a month prior, and hourly earnings increasing at a slower pace.

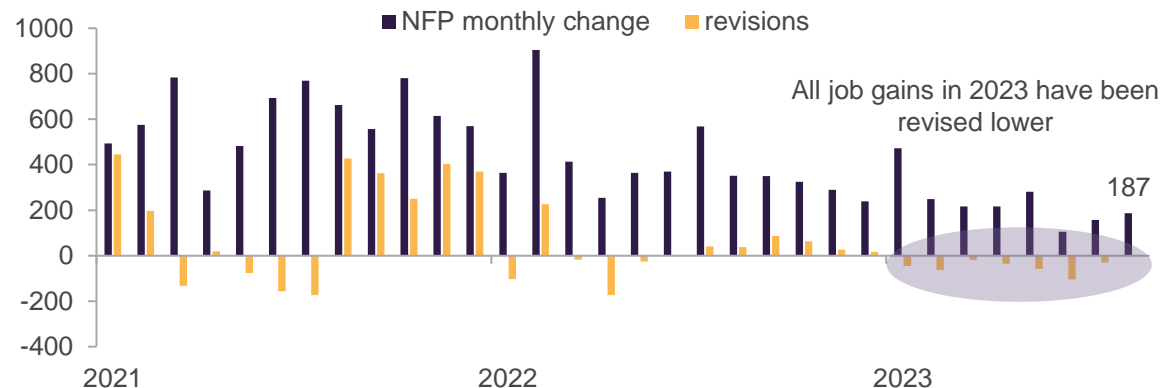
A look ahead

- Analyst events and brokerage conferences kick into high gear as investors attempt to gain a better understanding of third quarter dynamics ahead of the next earnings season.
- The Fed will release the Beige Book on Wednesday, providing an aggregated view of current economic conditions.
- Economic releases: Durable Goods & Factory Orders, S&P Global U.S. & ISM Services, Unit Labor Costs, Nonfarm Productivity, and Wholesale Inventories.

Chart of the week – Jobs still strong, but trend is slowing

The August jobs report came out last week and showed the labor market remains resilient as the economy added 187K jobs, beating consensus expectations. However, the unemployment rate jumped to 3.8% and revisions took off over 100K jobs from the June number, showing signs of cooling.

Monthly jobs gains/losses and revisions



Wealth

Data source: Truist IAG, FactSet. NFP = Nonfarm Payrolls.

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Market Pulse

As of September 01, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr	Rates (%)	9/01/23	6/30/23	3/31/23	12/30/22	9/30/22
MSCI ACWI (net)	2.58	0.16	0.93	14.99	14.94	Fed Funds Target	5.50	5.25	5.00	4.50	3.25
S&P 500	2.55	0.19	1.76	18.95	15.73	T-Bill, 3-Month	5.42	5.31	4.75	4.41	3.23
MSCI EAFE (net)	2.53	-0.24	-0.96	10.60	20.75	2-Year Treasury	4.88	4.87	4.06	4.41	4.20
MSCI Emerging Markets (net)	1.52	0.55	0.23	5.13	3.66	5-Year Treasury	4.30	4.12	3.60	4.00	4.03
Dow Jones Industrials	1.57	0.34	1.71	6.73	12.40	10-Year Treasury	4.18	3.81	3.49	3.87	3.79
Bloomberg Commodity Index	1.29	0.67	6.15	-2.12	-6.37	30-Year Treasury	4.29	3.85	3.68	3.96	3.76
Bloomberg Aggregate	0.48	-0.47	-1.17	0.89	-1.07	Bloomberg Aggregate (YTW)	5.03	4.81	4.40	4.68	4.75
ICE BofA US High Yield	0.99	-0.02	1.69	7.20	7.69	Bloomberg Municipal Bond Blend 1-15 Year	3.50	3.23	2.87	3.18	3.73
Bloomberg Municipal Bond Blend 1-15 Year	0.27	-0.01	-0.63	1.21	1.97	ICE BofA US High Yield	8.47	8.56	8.50	8.95	9.58
ICE BofA Global Government xUS (USD Unhedged)	0.71	-0.55	-2.06	-2.52	-0.76	Currencies	9/01/23	6/30/23	3/31/23	12/30/22	9/30/22
ICE BofA Global Government xUS (USD Hedged)	0.35	-0.17	-0.45	3.00	-0.03	Euro (\$/€)	1.08	1.09	1.09	1.07	0.98
						Yen (¥/\$)	146.03	144.54	133.09	131.95	144.75
						Pound (\$/£)	1.26	1.27	1.24	1.20	1.12
						Commodities	9/01/23	6/30/23	3/31/23	12/30/22	9/30/22
						Crude Oil (WTI)	85.55	70.64	75.67	80.26	79.49
						Gold	1,967	1,929	1,986	1,826	1,672
						Volatility	9/01/23	6/30/23	3/31/23	12/30/22	9/30/22
						CBOE VIX	13.09	13.59	18.70	21.67	31.62

U.S. style % total returns (S&P indexes)

Week				YTD		
Value	Core	Growth		Value	Core	Growth
2.15	2.55	2.88	Large	13.09	18.95	24.31
3.93	3.55	3.20	Mid	8.85	11.07	13.19
3.76	3.61	3.46	Small	7.04	8.33	9.64

Data Source: Truist, FactSet

S&P 500 sector % total returns



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Commonly used acronyms— SAAR = seasonally adjusted annual rate— MoM = month-over-month change— QoQ = quarter-over-quarter change— YoY = Year-over-year change— K = thousands— M = millions.

Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk— investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations— bond prices generally fall as interest rates rise, and values rise when interest rates decline.

S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index —a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg U.S. Corporate High Yield measures the USD-denominated high yield fixed-rate corporate bond market. Bonds are classified as high yield if they are rated below BBB by Moody's and S&P.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the U.S. dollar.

The ICE BofAML Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars.

JP Morgan EMBI Global Diversified index includes only USD-denominated emerging markets sovereign bonds and the traditional, market capitalization weighted method for country allocation is modified to limit the weights of index countries with larger debt loads by only including a specified portion of the eligible fact amounts of the debt outstanding.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

IA SBBB U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBB Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBB U.S. 30-day T-Bill index measures the total return of T-Bills with a maturity of one month on a monthly basis.

The S&P 500 High Beta index measures the performance of 100 constituents in the S&P 500 that are the most sensitive to changes in market returns.

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